Gdańsk, June 20th 2022

Rationale for the draft resolution on the merger between PKN ORLEN S.A. and Grupa LOTOS S.A., an increase in PKN ORLEN S.A.'s share capital and consent to the proposed amendments to PKN ORLEN S.A.'s Articles of Association.

On June 2nd 2022, Grupa LOTOS S.A. (the "**Company**") and PKN ORLEN S.A. ("**PKN ORLEN**") agreed in writing a merger plan (the "**Merger Plan**"), which provides that the merger between them will be effected under Art. 492.1.1 of the Commercial Companies Code of September 15th 2000, i.e. by way of transfer of all the assets of the Company (the "**Acquiree**") to PKN ORLEN (as the "**Acquirer**") in consideration for shares to be allotted by PKN ORLEN to Company shareholders (the "**Merger**"). The Merger is to become effective upon its entry into the Business Register of the National Court Register by the competent registry court in the venue where PKN ORLEN has its registered office (the "**Merger Date**"). As of the Merger Date, PKN ORLEN will assume all rights and obligations of the Company in accordance with Art. 494.1 of the Commercial Companies Code (universal succession) (the "**Merged Company**"). In particular, pursuant to Art. 494.4 of the Commercial Companies Code, Company shareholders will become shareholders in the Merged Company (PKN ORLEN) as of the Merger Date.

The Merger Plan has been audited for its accuracy, completeness and reliability by an expert auditor appointed by the registry court. On June 15th 2022, the expert issued a favourable opinion on the Merger Plan. Under Art. 506.1 of the Commercial Companies Code, in order for the Merger to become effective, the General Meetings of both PKN ORLEN and the Company are required to pass resolutions to grant consent to the Merger Plan and to the proposed amendments to the Articles of Association of the Acquirer (PKN ORLEN).

The Company's Management Board is of the opinion that the Merger will help the Company achieve the scale of operations and financial stability that will improve its resilience to adverse market changes (as at June 1st 2022, the combined capitalisation of the merging companies was approximately PLN 44 billion). The Merger will produce a range of positive economic effects, contributing to the Merged Company's operating performance as well as strategic development. The expected key economic effects of the Merger include:

- **Stronger investment capabilities of the Merged Company.** The Merger between the Company and PKN ORLEN will help secure funds required to finance the energy transition, implement advanced investment projects (e.g. in renewables and petrochemicals), carry out more effective acquisitions in Poland, and continue geographical expansion in Europe.
- **Improved negotiating position vis-a-vis partners.** With a stronger presence in the European market, the Merged Company's negotiating position will improve with respect to its feedstock suppliers and other business and technology partners which the Merged Company will rely on for future growth.
- **Ensuring uninterrupted operation of the Gdańsk refinery's processing units.** In view of the recent geopolitical developments, in particular the potential imposition of sanctions and/or other legislative constraints limiting the Company's ability to procure crude oil from the existing sources and using the existing infrastructure, the agreements concluded as part of the Merger are likely to provide a solution to ensure the operational continuity of the Gdańsk refinery's processing units. In the event of the Merger falling through, the Company will actively seek alternative – both to those available now and those that would become available if the solutions developed as part of the Merger

were implemented – sources of feedstock for the Gdańsk refinery and related logistics solutions in order to be able to continue its core business activities.

- **Acquiring new trading partners as part of implementation of remedies.** The Company and PKN ORLEN have been implementing the remedies required by the European Commission in a manner which creates unique growth opportunities for the Merged Company as well as its business partners and other stakeholders alike. The Company believes that following the implementation of the remedies, the Merged Company will gain the ability to perform contracts securing oil supplies to the Merged Company's refining units. In particular, PKN ORLEN and Saudi Arabian Oil Company have entered into a long-term oil supply contract, linked to the Merger and the process of acquiring a Joint Venture partner for the Gdańsk refinery, which is expected to operate as a processing refinery.
- The Merged Company will also be bound by a cooperation agreement with Saudi Arabian Oil Company to jointly analyse, develop and implement R&D projects, including sustainable technology projects, and by a cooperation agreement with Saudi Arabian Oil Company and Saudi Basic Industries Corporation to analyse, develop and implement joint investment projects. The agreements offer an opportunity to purse joint projects based on the partner's know-how and technologies, in particular in the petrochemical industry. Failure to effect the Merger and, consequently, to implement the remedies, would preclude the achievement of the expected benefits from such partnership. If the remedies are implemented, the Merged Company will also seek to grow through further diversification of its geographical markets, which is to be financed by using at least some of the proceeds from the required sale of service stations.
- **Achievement of a range of operational synergies.** The key operational synergies to be achieved relate to logistics, oil supplies and retail sales to consumers:
  - The Merged Company is expected to leverage core operational synergies in the area of feedstock logistics, refining, wholesale, including wholesale logistics, and retail sales. In addition to measurable financial gains, these synergies will translate into improved resilience to the different stages of the business cycle, more diversified revenue streams, strengthened competitive position on foreign markets, expanded product and service offering, and Poland's being better positioned as a participant in the global energy transition.
  - The Merger will also bring additional benefits increasing the value of the core synergies. Among others, it will unlock working capital as a result of reduction in the levels of emergency stocks.
  - Employees are the backbone of the merging Companies. Highly qualified, motivated and committed staff are invaluable to any business organisation, increasing its efficiency and providing a strong competitive edge. Accordingly, a sound HR policy designed to attract top talent and ensure the well-being of existing employees by adequately governing the recruitment and HR management processes will be at the heart of the Merged Company's strategy. Employees of the Merged Company will continue to enjoy a broad range of perquisites, training and promotion opportunities, and the ability to balance professional responsibilities with their personal and family lives. As all staff of the Merged Company will be fully engaged in building the value of the new group, no redundancies (including in particular collective redundancies) will be needed. In addition, the Company's human capital who will staff the Merged Company's strategic development departments and centres of excellence will help the Merged Company develop in the same direction as global industry leaders.
  - The purpose of establishing centres of excellence within the Merged Company is to maximise both efficiency and growth synergies following the Merger. In the Gdańsk location, the Merged Company will build centres of excellence for railway logistics, development of oil competences, hydrogen technologies, marine fuels and maintenance services for offshore wind farms. The key value-building initiatives will include efforts to achieve synergies from the Merger, improve process

efficiency, develop new business areas, and implement innovations as part of the integration process.

- The Merged Company will also benefit from a wide range of synergies related to the reduction and optimisation of overheads and optimisation of operating expenses across various business lines such as laboratory services, logistics, maintenance and repairs.
- The Merger will facilitate delivering a more end-to-end product offering for customers, whose needs will be addressed more comprehensively, building on the existing and new communication channels and digital technology.

The potential future synergies expected from the Merger considerably outweigh the cost of implementing the remedies.

As previously announced, the Merged Company intends to maintain a stable workforce and enhance employee development opportunities by enabling knowledge and experience sharing as well as greater employee mobility. A coordinated CSR policy, supported by technological partnerships and integrated human capital of the two merging companies, will enable a more effective identification and development of new solutions to address the challenges of the power generation and petrochemical sectors with respect to sustainable and environment-friendly development, as well as offer a stronger and more comprehensive support for local communities. The Company will also continue to lend its support through ongoing involvement in various community, cultural and sports projects across the Province of Gdańsk.

Upon the acquisition, Company shareholders will be allotted new shares in the increased share capital of PKN ORLEN and thus become its shareholders.

In view of the foregoing, the Company's Management Board recommends that the Annual General Meeting pass a resolution on the Merger, an increase in PKN ORLEN's share capital, and consent to the proposed amendments to PKN ORLEN's Articles of Association.

Jarosław Wróbel Vice President of the Management Board	Krzysztof Nowicki Vice President of the Management Board	Jarosław Wittstock Vice President of the Management Board	Piotr Walczak Vice President of the Management Board

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